

Message Text

PAGE 01 PARIS 24732 01 OF 03 241743Z

46

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 L-03 CAB-02 CIAE-00 COME-00

DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 SSO-00 INRE-00

NSCE-00 USIE-00 PRS-01 PA-01 SCA-01 H-02 SS-15 NSC-05

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O R 241733Z SEP 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC IMMEDIATE 3434

INFO AMEMBASSY LONDON

LIMITED OFFICIAL USE SECTION 01 OF 03 PARIS 24732

E. O. 11652: N/A

TAGS: EAIR, FR

SUBJ: CIVAIR: WORLD AIRWAYS CHARTER PROGRAM

REF: (A)STATE 223857, (B)PARIS 24319, (C)PARIS 24554

1. SUMMARY--EMBASSY AND WORLD AIRWAYS REP HAVE WORKED CLOSELY IN EFFORT SECURE GOF APPROVAL BALANCE OF CHARTER PROGRAM. BOTH AGREED HIGHER-LEVEL DEMARCHE SHOULD BE DEFERRED. FOLLOWING MEETING SEPT. 24 WITH SGAC SOLUTION MAY BE IN SIGHT INVOLVING WORLD AIRWAYS CARRIAGE CHARTER TRAFFIC AS AIR FRANCE SUB-SERVICE BUT AT NO COST TO WORLD AIRWAYS. FRENCH MAY SEE THIS FACE-SAYER AS PRECEDENT BUT IT IS SHAKY ONE. PROBLEM OF PRINCIPLE WOULD STILL REMAIN TO BE RESOLVED BETWEEN USG AND GOF. END SUMMARY.

2. WE ARE HOPEFUL THAT WORLD AIRWAYS (WA) CHARTER PROBLEM WILL SHORTLY BE SETTLED TO CARRIER'S ENTIRE SATISFACTION. IN VIEW OF HIGH-LEVEL INTEREST THIS SUBJECT IN WASHINGTON, AND IMPLICATIONS OF EVENTUAL SETTLEMENT FOR WA'S FUTURE OPERATIONS AS WELL AS OUR LIMITED OFFICIAL USE
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PAGE 02 PARIS 24732 01 OF 03 241743Z

CIVAIR RELATIONS WITH GOF, FOLLOWING DETAILED REPORT ON LATEST DEVELOPMENT MAY BE HELPFUL TO DEPT.

3. WA VICE PRESIDENT HUGHES CAME TO PARIS SEPT. 22

TO REVIEW SITUATION WITH RCAA. WE INFORMED HIM THAT SENIOR OFFICERS OF EMBASSY FROM AMBASSADOR ON DOWN WERE COGNIZANT OF PROBLEM AND THAT WE WERE UNDER INSTRUCTIONS CARRY OUT HIGHER-LEVEL DEMARCHE (REF A). AFTER DISCUSSING WITH HUGHES VARIOUS TACTICAL OPTIONS OPEN TO US, RCAA SOUNDED OUT BRUNEAU, TECHNICAL ADVISER FOR CIVAIR MATTERS IN CAVAILLE'S CABINET, OSTENSIBLY ON HOW WE MIGHT BEST PROCEED IN CARRYING OUT FORCEFUL DEMARCHE BUT IN REALITY PROBING TO ASCERTAIN HOW FAR BRUNEAU WOULD GO IN LENDING HIS GOOD OFFICES IN SEARCH FOR SOLUTION. (BRUNEAU HAD EARLIER INFORMED US INVOLVEMENT OF PRIME MINISTER'S OFFICE (REF B) WAS RESULT OF INTERVENTION FROM OUTSIDE GOF, I.E., NOT SGAC INITIATIVE AS WE HAD BEEN TOLD.) BRUNEAU WAS IMPRESSED WITH COST ARGUMENTS AGAINST WA UTILIZATION OF AF AIRCRAFT, BUT ADDED THAT GOF CONCERN WAS OVER PRECEDENT OF APPROVAL OF WA PROGRAM IN CONTEXT GOF'S POSITION ON FIFTH FREEDOM RIGHTS. RCAA URGED GOF AUTHORIZE WA PROGRAM ON EXCEPTIONAL BASIS WITHOUT PREJUDICE ITS POSITION ON PRINCIPLE, AND ADDED HE WAS PREPARED REASSURE GOF IN WRITING IF NEED BE THAT WE WOULD NOT CONSIDER THIS AS PRECEDENT PENDING RESOLUTION OF DIFFERENCES OVER PRINCIPLE. BRUNEAU REPORTED BACK LATE EVENING THAT GOF WAS UNFORTUNATELY COMPELLED RECONFIRM ITS REFUSAL SINCE WA HAD APPARENTLY NOT EVEN BOTHERED RESPOND TO "INTERESTING OFFER" MADE BY AIR FRANCE (AF) FOR USE OF AIRBUS ON LONDON-PARIS LEG. PENDING FURTHER CONSULTATIONS WITH WA, RCAA CITED HIGH LEVEL INTEREST IN WASHINGTON AND WARNED THAT EMBASSY WOULD CONTINUE EXERT MAXIMUM PRESSURE ON GOF. IN OUR VIEW SGAC POSITION WAS SERIOUSLY FLAWED AND AF ACTIONS MAY HAVE BEEN IMPROPER (E.G., AF OFFER FOR WA USE OF AF LONDON-PARIS SCHEDULED SERVICE AT FARE FAR BELOW APPROVED IATA TARIFF).

4. CONTRARY TO WHAT BRUNEAU ALLEGED, WA HAD TURNED LIMITED OFFICIAL USE
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PAGE 03 PARIS 24732 01 OF 03 241743Z

DOWN AIRBUS OFFER ON SEPT. 22. FIRST AF PROPOSAL, MADE AT END LAST WEEK, WAS TO TRANSPORT CHARTER GROUPS ON AF AND BRITISH AIRWAYS SCHEDULED SERVICE LONDON-PARIS (AND AF ACTUALLY BLOCKED SPACE ON BOTH CARRIERS FLIGHTS SEPT. 19 FOR THAT PURPOSE). AF HAD THEN PROPOSED WA CHARTER AIRBUS, WHICH WAS TURNED DOWN. ON SEPT. 23 AF INFORMED HUGHES THAT AIRBUS HAD BEEN POSITIONED IN LONDON TO TRANSPORT CHARTER GROUP TO PARIS LATER THAT DAY AT COST TO WA OF 33,000OTH CARRIERS FLIGHTS SEPT. 19 FOR THAT PURPOSE). AF HAD THEN PROPOSED WA CHARTER AIRBUS, WHICH WAS TURNED DOWN. ON SEPT. 23 AF INFORMED HUGHES THAT AIRBUS HAD

BEEN POSITIONED IN LONDON TO TRANSPORT CHARTER GROUP
TO PARIS LATER THAT DAY AT COST TO WA OF 33,000 FR.
(150 FR. PER PASSENGER). IN ADDITION, AF PROPOSED
THAT FOR REMAINING FLIGHTS AF LEASE FROM WA AIRCRAFT
FOR TRANSPORTATION CHARTER GROUPS AS AF SUB-SERVICE,
WITH WA PAYING AF 83,000 FR. FOR COST OF TRANS-
PORTATION FOR ENTIRE PROGRAM. HUGHES REFUSED PAY FOR
AIRBUS SEPT. 23 WHICH WA HAD NOT ORDERED, AND HE SAID

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PAGE 01 PARIS 24732 02 OF 03 241744Z

46

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 L-03 CAB-02 CIAE-00 COME-00

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O R 241733Z SEP 75

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INFO AMEMBASSY LONDON

LIMITED OFFICIAL USE SECTION 02 OF 03 PARIS 24732

BELGIAN APPROVAL HAD BEEN OBTAINED FOR DIVERTING
LONDON CHARTER GROUP TO BRUSSELS (AND BUSSING TO PARIS)
IF NEED BE. AF INSISTED THAT UNLESS WA AGREED PAY
FOR SEPT. 23 AIRBUS EVEN IF NOT UTILIZED BALANCE OF
AF OFFER FOR REMAINDER OF PROGRAM WOULD BE WITHDRAWN.
AFTER CONSULTING WA HEADQUARTERS IN OAKLAND, HUGHES
INFORMED AF THAT OFFER WOULD PERHAPS BE ACCEPTABLE
IF DEMAND FOR PAYMENT OF UNUSED AIRBUS WAS WITHDRAWN.
IT WAS AT THIS POINT LATE IN THE DAY THAT GOF'S IN
EXTREMIS AUTHORIZATION REPORTED REF (C) WAS GRANTED
TO WA TO PERMIT NEGOTIATIONS BETWEEN CARRIERS TO
CONTINUE.

5. AF HAD SUGGESTED LATE SEPT. 23 THAT IT MIGHT BE
USEFUL NOW FOR ALL CONCERNED TO MEET WITH SGAC. IN
AMBASSADOR'S ABSENCE FROM PARIS, HUGHES MET WITH
MINECON AND IT WAS AGREED THAT IN LIGHT OF CURRENT
DEVELOPMENS IT WOULD BE ADVISABLE DEFER HIGHER-LEVEL
DEMARCHE UNTIL WE COULD MEET WITH AF AND SGAC TO
DETERMINE WHETHER THERE WAS BASIS FOR AGREEMENT
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PAGE 02 PARIS 24732 02 OF 03 241744Z

BETWEEN THE CARRIERS. WE THEREUPON SPOKE WITH SECRETARY GENERAL GRIMAUD, WHO AGREED TO ARRANGE MEETING AT SGAC SEPT. 24 AM.

6. MEETING WAS CHAIRED BY CLEMENT-MEUNIER, DEPUTY DIRECTOR OF AIR TRANSPORT AND ACTING DIRECTOR IN ABSENCE OF ABRAHAM (WHO HAPPILY HAD DEPARTED FOR CIVAIR TALKS IN PEKING), AND ALSO ATTENDED BY ESPEROU AND MME. THOMASSET FOR SGAC; DEJEAN, GENERAL MANAGER (EUROPE) OF AF; HUGHES; AND RCAA. MEETING LASTED NEARLY THREE HOURS. HUGHES REVIEWED THE FACTS DATING FROM WA'S SUBMISSION ITS APPLICATION TO SGAC. HE THEN SAID THAT WA PRESIDENT DALY HAD INSTRUCTED HIM TO REFUSE TO MAKE PAYMENT TO AF UNDER DURESS FOR TRAFFIC RIGHTS WHICH WA CONSIDERED IT ALREADY ENJOYED UNDER THIRD AND FOURTH FREEDOMS, AND DALY FURTHER CONSIDERED THAT PRINCIPLE INVOLVED WAS MATTER FOR GOVTS AND NOT CARRIERS TO RESOLVE. SGAC REPS CONTINUED INSIST THIS WAS FIFTH FREEDOM TRAFFIC WHICH THEY COULD NOT AUTHORIZE, BUT ADVANCED NO RATIONALE FOR THIS POSITION. RCAA REITERATED PROPOSAL HE HAD MADE EARLIER TO BRUNEAU (PARA 3 ABOVE). SGAC REPS STATED THAT PRINCIPLE INVOLVED WAS IN THEIR VIEW A FUNDAMENTAL ONE, BUT IT WAS EVIDENT THAT THEY WERE NOT ABOUT TO BE DRAWN INTO DISCUSSION ON PRINCIPLES AT THIS STAGE NOR WERE THEY INTERESTED IN COMPROMISE EXCEPT ON THEIR TERMS. THEN THERE ENSURED LONG EXCHANGE BETWEEN WA AND AF REPS. DEJEAN MAGNANIMOUSLY WITHDREW DEMAND FOR WA PAYMENT FOR AIRBUS POSITIONED IN LONDON SEPT. 23 AND NOT USED, FOR WHICH HE ASSUMED FULL RESPONSIBILITY. AFTER STRESSING REPEATEDLY THAT AF HAD THROUGHOUT NOT BEEN MOTIVATED BY CRASS MONETARY CONSIDERATIONS BUT MERELY BY DESIRE BE HELPFUL TO WA AND TOUR OPERATOR, DEJEAN PUT FORWARD NEW PROPOSAL WHEREBY AF WOULD LEASE WA AIRCRAFT WHICH WA WOULD OPERATE AS AF SUB-SERVICE ON NO FEE BASIS FOR LONDON-PARIS AND VIENNA-PARIS LEGS. IN OTHER WORDS, AF PAYMENT TO WA FOR CHARTERING OF WA AIRCRAFT WOULD BE EXACTLY EQUAL TO REVENUE AF WOULD COLLECT FROM WA FOR TRANSPORTATION OF CHARTER GROUPS ON THESE AIRCRAFTS.

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PAGE 03 PARIS 24732 02 OF 03 241744Z

THERE WOULD BE NO COST TO WA. AFTER HALF A SECOND'S REFLECTION, HUGHES REPLIED THAT HE THOUGHT THAT

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PAGE 01 PARIS 24732 03 OF 03 241744Z

46

ACTION EB-07

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O R 241733Z SEP 75

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TO SECSTATE WASHDC IMMEDIATE 3436

INFO AMEMBASSY LONDON

LIMITED OFFICIAL USE SECTION 03 OF 03 PARIS 24732

DALY COULD ACCEPT THIS AND HE PROMISED TO CONVEY DALY'S RESPONSE TO AF ON SEPT. 25. IT WAS AGREED THAT RCAA WOULD INFORM SGAC OF WA'S RESPONSE WHICH, IF FAVORABLE, WOULD IMMEDIATELY PRODUCE SGAC APPROVAL OF REMAINDER OF WA CHARTER PROGRAM.

7. COMMENT: IT LOOKS AS IF THIS COMPLEX PROBLEM IS NOW CLOSE TO AT LEAST INTERIM SOLUTION BUT UNDER CIRCUMSTANCES THAT BORDER ON THE FARCICAL. THE STRATAGEM OF NO-FEE CHARTERING BY AF DOES, OF COURSE, ESTABLISH THE PRECEDENT OF "FRENCH CARRIER" CARRIAGE ON WHAT THE SGAC CONTENDS ARE FIFTH FREEDOM LEGS, BUT CIRCUMSTANCES IN WHICH THIS FACE-SAVING SOLUTION WILL HAVE BEEN REACHED AND FACT OUR POSITION IS FORCEFULLY ON RECORD WOULD MAKE THIS A VERY SHAKY PRECEDENT INDEED. WE ASSUME THAT WA WILL OF COURSE PROMPTLY ACCEPT AF PROPOSAL, WHICH OBTAINS FOR WA ALL IT WISHED NOTWITHSTANDING FACADE OF AF "SUB-SERVICE" AND WOULD ENABLE WA PROGRAM TO BE CARRIED OUT AS PLANNED AND AT NO EXTRA COST TO CARRIER. IF
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PAGE 02 PARIS 24732 03 OF 03 241744Z

WA'S CURRENT PROBLEM IS RESOLVED, CONTROVERSY OVER PRINCIPLE WILL REMAIN AND WILL BE MORE THAN JUST ACADEMIC, HOWEVER, FOR SGAC HAS INFORMED HUGHES IT MAY NOT BE DISPOSED AUTHORIZE AS EXCEPTION ITS FIFTH FREEDOM POLICY ANOTHER PROGRAM FOR THREE-POINT ITC'S INVOLVING TAHITI LIKE THAT WHICH SGAC

AUTHORIZED FOR WA LAST YEAR AND FOR WHICH WA INTENDS
REFILE SHORTLY FOR OPERATION NEXT YEAR.
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